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Gary, Elbert Henry

Address by Elbert H. Gary,
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New York

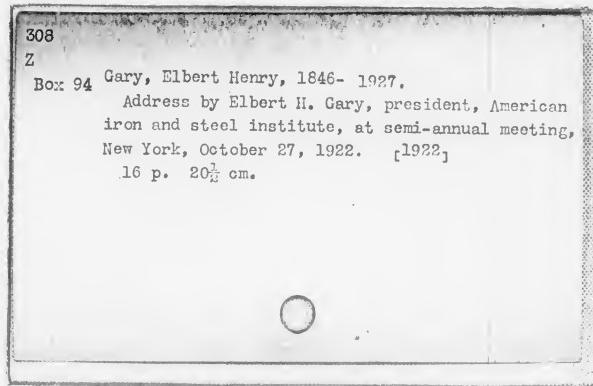
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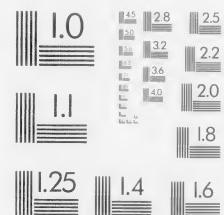
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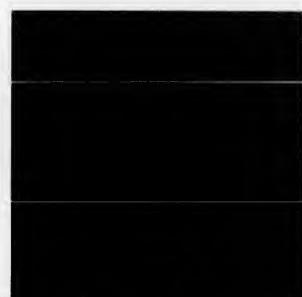
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ADDRESS BY
ELBERT H. GARY

PRESIDENT, AMERICAN IRON AND STEEL INSTITUTE

AT SEMI-ANNUAL MEETING

NEW YORK

OCTOBER 27, 1922

ADDRESS BY

ELBERT H. GARY

PRESIDENT, AMERICAN IRON AND STEEL INSTITUTE

AT SEMI-ANNUAL MEETING

HOTEL COMMODORE, NEW YORK CITY

OCTOBER 27, 1922

SUPPLY AND DEMAND

WHAT is to be said on this occasion relates to economics; and it will be spoken from the standpoint of the public interest. Our business life is represented by various groups of men and women and involves a great diversity of economic activities. Taken alone, each branch of industry is naturally selfish and influenced more or less by unworthy motives. In discussing any particular one, all others must be considered as a part of the general public. If in management any wrong or injustice is perpetrated, it is the general public which must finally in some way suffer the consequences.

Therefore in the consideration of all economic questions, every one should endeavor to determine the final effect upon the people as a whole. Personal or private gain or advancement or political advantage must be subordinated to the general public good.

As industry has developed, populations multiplied and wealth increased, the problems and difficulties in eco-

nomic life have grown and we have been correspondingly forced to concentrate our minds upon proposed measures for relief or protection against imposition.

And the greatest of all wars has very much complicated the situation, even in this country. Our recent industrial strife, the present pending agitation for the creation of an organization of classes calculated to secure power and benefit by physical force under the leadership of vicious men, with which you are more or less familiar, the profiteering that still exists, if in a lesser degree than formerly, are temporary relapses, so to speak, of the war fever, during a prolonged period of convalescence.

We are still suffering from the very high cost of living caused by the despicable cycle, developed during the war, which carries high prices from a starting point in a given place, proceeds around a spiral and returns step by step to higher basis. Speaking generally and yet making the illustration specific, labor, which constitutes eighty-five per cent of the cost of production, is paid very large rates, but, with exceptions, is not paid more than is proper, because compelled to pay high prices for the living costs. Normal conditions have not been fully restored and apparently are not likely to be in the immediate future, unless extraordinary efforts shall be made.

We are apt to conclude that everything objectionable can be overcome by the adoption, amendment or repeal of laws. But on reflection one possessed with average intelligence and information, knows this is a fallacy. Many laws have been passed which are improper, and no doubt new ones ought to be enacted, all bearing upon economic questions. This will always be the case.

It is the purpose at this time to refer briefly to certain old and fundamental principles, which in modern times have been by large numbers overlooked or at least underestimated. Reference is made to the law of supply and demand.

This law is inexorable. It is like the mills of the gods. It may be slow but its work is sure and fine. In its application, it is technically the doctrine expressed by the old and well-known phrase "*quid pro quo.*" Individuals, groups, populations, become habituated to the idea that it is possible and also justifiable to get something for nothing; to get it by flattery, by mere promise, or by main strength and physical force.

But it might as well be admitted first as last by every individual, collection of persons, or nation, that in order to obtain what is desired, there must be rendered an equivalent value, and that if secured on any other basis the business will not be satisfactory. What amounts to an equivalent or fair consideration in any transaction is, of course, mutually determined by the parties concerned, and if each agrees freely and voluntarily with full knowledge of the facts, uninfluenced by coercion, action is and should be final.

If one seeks to acquire property of any kind, or service, a fair price must be paid; or if service demands a certain price, the fair equivalent in work should be rendered. Any attempt to bring about rules of conduct contrary to these fundamental principles will not be successful. If put in practice by force or fraud they will eventually fail. There must be standards that are just and logical, as between the parties connected, and not inimical to the public weal.

When an individual or association of individuals can and does collect an unconscionable amount for a commodity or for work, as the result of any circumstance or combination, the general public must and does finally pay the bill. This is inevitable and it is a pity that large portions of the public overlook or ignore this fact. It is not difficult nor embarrassing for a man in business to increase the production cost of what he sells by additions in salaries or wage rates if, at the same time, he correspondingly increases selling prices.

What is to be done to prevent a practice which increases prices or costs from a starting point around or across back to the start and again commences another advancement? The first thing for every one of us to do is to think. One of our most prominent and ablest editors not infrequently urges us with emphasis to *think*, earnestly, seriously and all the time. We must adopt and practice the suggestion.

When we ponder over the situation with the idea of suggesting a remedy, the first question presented relates to combinations or conspiracies to suppress natural laws. If one is actuated by motives of cupidity or dishonesty, one is apt to suppress and then oppress. A combination calculated to control business or production either as to quantities or prices, by the employers or by the employees, interferes with the natural course of business and results in hardship upon all who are outside of the combination, who may be termed the consumers. A moment's reflection will bring conviction that it is because of these conditions, legislation has been invoked with the ostensible purpose of protecting the public, though it must be admitted that sometimes the real motives have been quite contrary to this idea.

But in this connection another question is presented, namely, how are we to distinguish meritorious from vicious legislation, presumably intended to prevent oppression? Any statute that unnecessarily interferes with the natural law of supply and demand works incalculable damage to economic progress and prosperity, and is disastrous to the general public or to a nation. The people must be provided with food and other necessities. Business must be active and prosperous. Work must be furnished for carrying on the affairs of the country. If workmen are not treated as well in this country as elsewhere, they will depart from our shores. If producers are not permitted to secure reasonable returns on their investments, their producing facilities will be abandoned and their capital invested elsewhere. We are in competition with other countries, now more than ever before, and capital here must earn a fair rate and at the same time treat labor decently and justly.

To be the "father" of one's country, compelled to consider all these intricate questions, to solve the problems confronting us, to reasonably protect all interests, and more than everything else, to satisfy the personal conscience, requires the patience, perseverance, wisdom, ability and honesty of a President like the one now administering the affairs of this country. We should strive to hold up his hands; we should pray for him and not find fault or condemn. He is doing better, much better, than any one who unjustly criticises him could do if in his place.

From what has already been said you are probably at least mentally inquiring, what is to be done? What is now proposed? How can business be done with fairness and with justice, except by the adoption and enforce-

ment of laws which absolutely control business as to prices, rates, deliveries and all other particulars, and which secure proper treatment of every one, even though this would necessarily interfere with full, free and unlimited action on the part of all different groups in the advancement of their own interests respectively?

Every one should attempt to answer these questions for himself or herself. A proper answer would be that the natural law of supply and demand should not be interfered with by the Government or by any administrator of the laws, except in cases of turpitude, and this applies to all business transactions. There are already too many man-made laws, and perhaps too many attempts to apply them, which are calculated to interrupt and hinder progress and industrial prosperity.

The utilization of the great wealth, natural resources and productive capacity of this country should be permitted without interruption or hindrance up to the limit of propriety. But how shall this be accomplished since laws and their enforcement provide the only absolute rule for the conduct of persons? The answer is, by the enforcement of all those laws which establish order and safety of person and property as against riot, physical force and intimidation; enactments or amendments which permit immigration of foreigners on the basis of quality rather than numbers; and new laws or amendments which permit and require full publicity of economic transactions so far as they affect the public welfare.

We have not fully appraised the value of publicity. Its practical results and its necessities in all departments of economic life without discrimination or exception have not been given due consideration. The full exposure to

the people of business methods and management on the part of public and private institutions and organizations will create and firmly establish a powerful, effective and satisfactory public sentiment, which, on the average and for the long run, will be more potent than penal statutes.

Investigations by legislative committees sometimes have been of great benefit in exposing to the public facts relating to misconduct or mismanagement, and have resulted in correcting existing evils; but more frequently they are harmful because unfair, politically partisan and managed without regard to rules which govern legal procedure. The committees are often made up largely of lawyers, some of whom are inclined to deal in personalities, are vindictive and arbitrary, and as the witness or other person subject to investigation is not usually permitted to have a lawyer to represent and protect him, great injustice is likely to result. All inquiries for the benefit of the public concerning private affairs, to be effective, must be made with strict honesty and impartiality. When the public is constantly given all proper information concerning business, after ascertained honestly, impartially and intelligently by a Government Board of undoubted ability, non-partisan in character and including every branch of industry without exception, the public interest will be protected and not before.

We have been passing through an industrial conflict, involving commission of crime, heavy losses in commerce and industry, both to capital and labor, and deprivations to the general public which reached almost to the brink of extreme suffering and death, carried on by one side whose methods and amount of money

expended, or the purpose of the same, were not exposed to the public view. Fortunately a wise, patient and fair-minded administration was willing and able to materially assist in bringing about a cessation of hostilities.

There is nothing to be said at this time against labor organizations or their leaders; certainly there is or should be no personal animosity. But to permit any group, and this representing only a minority in its branch of industry, to be exempted from publicity, is an injustice and a wrong to the general public.

It goes without question that in business there are numerous matters relating to operation and management which are of interest only to the persons or concern connected, and these need not and should not be divulged to the general public, some of them particularly before consummation of pending negotiations; but as to the matters which at the time affect the public welfare there should be the right to have inspection by a competent, disinterested and non-partisan body. Let us demand in this country full, fair, impartial, competent publicity, applied without fear, favor or discrimination.

The steel industry should and would welcome such a condition. It was proved to be desirable and proper during the panic of 1907 and a short period succeeding. It is true, complaint was made by a partisan congressional committee in regard to the addresses made at the meetings, notwithstanding they were all recorded and reported to the law department and other departments in Washington; but the courts held they were proper and highly advantageous to the public, though they also held, as they ought, that what followed months later on the part of a few individuals was objectionable. There is

no good reason why the public, through proper agencies, should not be present at private meetings of groups. It is, however, wrong to treat any branch of industry differently from all others. Of especial interest just now is the treatment, with like rules, privileges and penalties of both employers and employees. Unless and until that is brought about there can never be industrial peace nor can the public interest be protected. The untrammeled right to contract and the right to enforce contracts, both based on the law of supply and demand, together with opportunity on the part of the public to have the facts exposed, are essential to the protection of the public interest. Partial, prejudiced or incompetent investigations will not suffice.

The doctrine of supply and demand, which is one of mutuality, is germane to the present public and private discussions relating to the enormous debts owing by certain foreign nations to the United States. They were voluntarily, openly and fairly contracted. They cannot properly be cancelled or disposed of on any other basis, without doing violence to well-recognized principles of justice and rules of propriety. To cancel these debts or any part of them without full payment would be forced charity, and that is never agreeable to the donor and, as a rule, equally disagreeable to a self-respecting person or nation. It is the individual citizens of the different countries who are to be consulted and whose decisions must control. Americans generally would not be contented with governmental action which relieved from debt the citizens of a foreign nation by increasing the burdens of the former. Likewise foreigners generally would oppose any such enforced act of charity. Certainly it would be abhorrent to the businessmen and

women of both countries. This attitude has no bearing upon the question of furnishing charitable and Christian relief to foreigners who are in distress and need immediate aid, which cannot be provided at home. This has always been and will continue to be done by the people of every land. Each of you has done what you could, reasonably, in charitable contributions, and this will undoubtedly continue to be your habit.

The attitude and conduct of a nation should not be different from that of an individual. If your friend is in real need and is honest and trustworthy you will assist him by donation or by loan, or both, but in the latter case you do not expect him to turn the loan into a gift if and when he is in any way able to pay. If he attempts this, your respect for him vanishes. To retain your confidence he must use every effort, up to the limit of his ability and opportunity to earn and to pay. Especially do you insist he shall work, and work hard, in any capacity offered, for this is what you would do if similarly situated. You would, of course, extend the time of payment if absolutely necessary, but you would not do so if he were keeping an automobile or eating terrapin or liberally extending his business in order to compete with you.

In the judgment of many of us the foreign nations can and are willing to pay their debts, some sooner than others, and most of them sooner than is now generally admitted. This we have publicly asserted several times. We know something of their capacity to work and earn and save and thrive; of their success in business and their mode of living. No doubt, in many instances, productive capacity has been reduced and we share in their suffering on account of deprivation. We should be cheerfully willing to extend payment at reasonably low rates of

interest. We should be glad to make new loans whenever we are confident they will be paid, and thus assist in restoration and rehabilitation. We should be friendly and helpful, responsive to the chords of gratitude for friendly assistance in the past, demonstrating by word and deed that we desire a continuance of the friendship of our acquaintances abroad.

But there is no "royal road" to success. There is no way of paying debts, of receiving benefits, of acquiring property, of securing and retaining positions of employment or office, public or private, or obtaining assistants or workmen, skilled or unskilled, except on the basis of reciprocity, of returning fair equivalent to be mutually agreed upon. Every man or nation in order to measure up to obligations must work, and save; must be prudent and fair and economical.

All this applies to the payment of debts, to the re-establishment and progress of business, to the money rates of exchange, to the financial and other exchanges of commodities or activities. It is insisted rates of exchange cannot be restored or maintained except by obedience to the simple rule of supply and demand. Foreign debtor nations need not expect a return of fair rates of exchange except by producing and selling to other countries what can be utilized by the latter. It is believed some, if not many, of the great debtor nations can produce more than they are now producing and can, without suffering, materially increase their economies. When a man or nation is in debt there should be practiced at all times rigid economy and maximum industry until after debts are paid and the equilibrium of the basis for exchanges is restored. It is needless to ignore the well-tried law of supply and demand. It cannot be done successfully.

Personalities have not been indulged in. It has been intended only to discuss and apply rules and principles of common knowledge; to call attention to the fact that artificial expedients cannot be satisfactory or successful. Every nation, every state, every people, every class, every group, every man, woman and child must always be treated fairly, reasonably, justly. Every one must act with due regard to the rights and interests of all others. This is the panacea for all human troubles.

It is to be hoped there will soon be held in Washington another peace conference for the full and frank discussion of all unsettled financial, commercial and industrial questions in which our people are interested, directly or indirectly, to be participated in by able, open-minded, well-disposed representatives from the different nations, such as those who appeared at the recent limitation of armament conference. If there shall be such a meeting, and the delegates are all of the type referred to, there will result incalculable good to all who are parties. They would not decide or discuss how to abolish or overcome the old established law of supply and demand, how to avoid or repudiate existing legal obligations, but rather how and when to fulfill them without irreparable injury to anyone or the sacrifice of principle. It would be found that the United States is always disposed to be just, reasonable, lenient, impartial and friendly. While it is true that members of such a conference would be compelled to consider, and in a large measure be governed by, the wishes of their respective constituencies, it is believed that the large majority of the populations making up such constituencies would be sensible and honest.

The world, now more than ever before, needs peace, international and domestic, political, social and industrial. It is a time for work, economy, saving, thrift, honest, reasonable and intelligent recognition, observance and enforcement of the rules of law, propriety and common sense. Gentlemen, what we preach let us practice, conscientiously, persistently and loyally. Let us always transact our business on the basis of rendering a full equivalent for what we demand or receive. Thus we shall best succeed and prosper.

BUSINESS CONDITIONS

There are no obstacles to continued prosperity in the iron and steel business of the United States except such as may arise from interference with the natural course of supply and demand. There is a great abundance of high quality iron ore; steam, gas and coking coal; limestone and other raw products, all within easy reach; also furnaces, mills and shops of highest grades, railroads and ships for transportation, every variety of experts of pronounced ability, organizations and systems equal to any in the world; and the demand for every kind and character of steel is far in excess of capacity to produce. Steel is needed immediately for buildings and other structures, for railroads, for farms, for pipe lines, for canning, for equipment of every kind, for guns, tools and implements of thousands of varieties, for wire, ranging from the finest watch springs and piano strings to the largest cables, for cars, automobiles, aeroplanes and other vehicles for transportation of property and persons, and many other purposes.

Order books are well filled, finished steel, aggregating

many thousand tons, is stored at the producing mills, ready for shipment, and this notwithstanding the recent labor troubles at the mines and in transportation circles. Unfortunately there has been an interference with the mining and delivery of coal and with the transportation of finished iron and steel, and there is an insufficient supply of labor.

If the natural course of business had not been interrupted we would now be enjoying success and prosperity in our industry greater than ever before, so far as volume is concerned. Who is blamable? The answer is: Any one who by word or deed has interrupted or hindered the operation of the natural law of supply and demand; or has interfered with the full, free and unlimited right to work, to operate and to produce.

All that is necessary to prosperity in the United States is the legitimate utilization of our stupendous resources. We can produce here everything to supply to our inhabitants their necessities and their comforts; also luxuries and even delicacies. We can produce without limit, fuel, food, clothing and shelter; everything to make us comfortable and happy, and then have left much for other countries whenever they are in need. We would sell for cash or work or on credit; or when distress is occasioned by calamity, furnish supplies without consideration except a continuance of friendly and Christian response. We are no better than the people of other nations; and we are no worse.

The fault for lack of continual prosperity in a measure may be laid at our own doors. If so, then let us to the best of our ability overcome our faults and consistently adopt and practice reasonable and constructive policies.

Fault in many places no doubt exists. There are too many tinkers, too few experts. Many individuals,

by reason of political position or other limited success, assume to know a good deal about matters, particularly economic, concerning which they have little information, derived either from study or experience, and these generally talk the loudest and longest on these subjects. Others from a desire to control or create antagonisms or to derive personal profit, attempt to interfere with the natural and reasonable course of business, sometimes resorting to force and brutality. We must keep our own houses clean, search our own hearts, remain true and loyal and above reproach, and then openly proclaim the truth at proper times and places.

Just at this time it is generally recognized there is a shortage of labor, although now and generally there are considerable numbers of idle men who do not ask for or desire steady work. For various reasons many workmen have returned to their homes in foreign countries. Business here was dull, and besides, these men on account of very large wage rates had accumulated money and believed themselves to be independent. The shortage in labor, however, has come principally as the result of the percentage immigration laws which have limited the number of workmen who would now come to this country if not prevented by the laws referred to. After some experience these laws are now believed by large numbers to be unreasonable. Ostensibly, at least, they were aimed at the sudden and large increases in the foreigners who were locating here, many of them entertaining views hostile to the ideas of our Government. These laws ought to be promptly changed. The restrictions upon immigration should be directed to the question of quality rather than numbers of foreigners coming to this country. Measures for limiting the number of immigrants to those who are clearly shown to be healthy, morally, politically

and physically, ought to be clear, strict and enforceable; but the number allowed to come here should be equal to the necessities of our industries. The administration of the law could be under the control of a competent and impartial governmental commission or department, to be managed for the benefit of the general public and not for the protection of any special class or the exploitation of any impractical or injurious theory. This is one of the most important questions now being debated throughout the United States.

In spite of the difficulties which have confronted industry and appreciably frightened investors, the manufacturers of steel are now producing, on the average, about seventy-five per cent of their estimated capacity. This is more than double the total capacity twenty years ago. We are making a better quality of steel, are increasing diversification of shapes for additional uses; and in many ways we are extending capacity and effecting economies, although selling prices have not kept pace with larger costs. We shall soon get back to a basis of business that will yield fair profits, if permitted to proceed without unreasonable interference.

As to general business conditions, in addition to what has already been said, great significance should be given to the publications concerning the enormous savings bank balances. These show conclusively a disposition to economize, whatever may be the reasons. Economy and saving are fundamental to thrift and prosperity.

In this greatest, richest, most admirable country there should be the continuance of prosperity without prolonged depressions. The iron and steel industry can be a decided influence toward progress and stabilization.

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